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Report to the General Assembly

April 1994

Department of Parks,
Recreation and Tourism:
A Limited Review of
Special Funds
Management

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Department of Parks, Recreation and Tourism: A Limited Scope Review of Special Funds Management was conducted by the following audit team.

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LAC

April 1994

Parks, Recreation and Tourism: A Review of Special Funds Management

Members of the General Assembly requested that we audit the Department of Parks, Recreation and Tourism (PRT) with emphasis on "... the utilization and other aspects of the admissions tax." We also reviewed PRT's management of the Parks and Recreation Development (PAR) or bingo tax funds.

Overall, we found no major problems with PRT's management and use of the funds reviewed. PRT has generally complied with statutory provisions governing the use of admissions tax and PAR funds.

Admissions Tax Funds

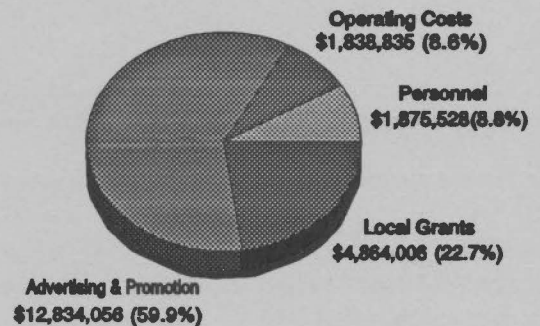
Prior to FY 93-94, admissions tax funds were designated by statute to be used to advertise and promote tourism in South Carolina. From FY 90-91 through FY 92-93, as shown on this page, PRT spent admissions tax revenues primarily in four areas.

In general, PRT spent admissions tax funds in compliance with legislative mandates and restrictions. We found no material problems with PRT's administration of the tourism funds sharing grants.

We also found evidence that the department's major advertising contract was appropriately procured, and that PRT has instituted adequate contract management controls for this contract and the agency's major printing contract.

We did identify some areas where improvement is needed in management and use of admissions tax funds.

Total PRT Admissions Tax Expenditures FY 90-91 Through FY 92-93



Recommendations for Improvement

PRT could improve its billing controls for the invoices received from Leslie Advertising, its major advertising and public relations firm. PRT does not review supporting documentation for Leslie's charges for creative work or third-party invoices to Leslie. Without this review, PRT cannot ensure that billings are correct and in compliance with the contract.

PRT could save at least \$20,000 annually by contracting directly for a telephone answering service, instead of subcontracting through its advertising contract.

For more than two years prior to September 1993, PRT did not staff its internal audit function. Regular internal audits are needed for the major advertising and printing contracts. Also, PRT's internal auditor does not report to an appropriate agency official.

We identified weaknesses in PRT's contract with its European marketing representative; for example, the contract does not contain provisions for the representative's commission or rates of travel reimbursement.

PRT's European marketing representative did not furnish the reports required by his contract. This information is needed by the department to aid in evaluation of the international marketing program.

PRT may wish to reevaluate its practice of allocating 52% of the funds designated for Canadian promotion directly to local chambers of commerce.

PARD Funds

The PARD funds allocated to PRT are required to be spent for planning and development of new recreation facilities or renovations to existing facilities. PRT has generally complied with statutory requirements for the use of PARD funds. The PARD grants program has appropriate controls to ensure that awards are made and funds spent in accordance with statutory mandate.

However, because PRT does not keep records of projects that are not funded in the grants program, we could not determine whether the department has been consistent in determining which projects are an appropriate use of the funds for planning, development and renovation of recreational facilities. We recommend that PRT keep records of *all* proposed PARD projects.

Responses to our audit can be found on page 39.

Copies of all LAC audits are available to the public at no charge. If you have additional questions, please contact George L. Schroeder, Director.

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Report to the General Assembly

**Department of Parks,
Recreation and Tourism:
A Limited Review of
Special Funds
Management**

Contents

Executive Summary

v

Chapter 1 Introduction and Background

Audit Objectives, Scope and Methodology	1
Agency Background	2

Chapter 2 Admissions Tax Funds

Background and Compliance Issues	5
Advertising and Promotion	10
International Marketing	17
Tourism Funds-Sharing Program	21

Chapter 3 Parks and Recreation Development Funds

Background and Allocation of Funds	27
Grants to Counties	29
Use of Funds by Parks Division	31
Recreation Division Administrative Costs	32

Appendices

A Audit Scope and Methodology	35
B Lapsed PARD Funds by County, FY 90-91 through FY 92-93 . . .	37
C Agency Comments	39

Contents

Executive Summary

Members of the General Assembly requested that we audit the Department of Parks, Recreation and Tourism (PRT) with emphasis on "... the utilization and other aspects of the admissions tax." We also reviewed PRT's management of the Parks and Recreation Development (PARD) or bingo tax funds. We reviewed PRT's use of admissions tax and PARD funds for statutory compliance and to determine whether the funds have been well managed by the department.

PRT has generally complied with statutory provisions for use of admissions tax and PARD funds.

Prior to FY 93-94, admissions tax funds were designated by statute to be used to advertise and promote tourism in South Carolina. The PARD funds allocated to PRT are required to be spent for planning and development of new recreation facilities or renovations to existing facilities. We found that PRT has generally complied with statutory provisions governing the use of admissions tax and PARD funds.

We found no material problems with PRT's administration of the tourism funds-sharing grants or PARD recreation grants programs. The grant programs have appropriate controls to ensure that awards are made and funds are spent in accordance with statutory mandates.

We also found evidence that the department's major advertising contract was appropriately procured, and that PRT has instituted adequate contract management controls for this contract and the agency's major printing contract.

We did identify some areas where improvement is needed in management and use of the funds reviewed. Some of these areas are discussed below.

Admissions Tax Funds

PRT could improve its billing controls for the invoices received from Leslie Advertising, its major advertising and public relations firm. From FY 90-91 through FY 92-93, PRT spent more than \$11 million with this firm. PRT does not review supporting documentation for Leslie's charges for creative work or third-party invoices to Leslie. Without this review, PRT cannot ensure that billings are correct and in compliance with the contract (see p.13).

PRT could save at least \$20,000 annually by contracting directly for a telephone answering service, instead of subcontracting through its advertising contract (see p. 14).

For more than two years prior to September 1993, PRT did not staff its internal audit function. Regular internal audits are needed for the major

advertising and printing contracts. Also, PRT's internal auditor does not report to an appropriate agency official (see p. 16).

We identified weaknesses in PRT's contract with its European marketing representative; the contract does not contain provisions for the representative's commission or rates of travel reimbursement (see p. 19).

PRT's European marketing representative did not furnish the reports required by his contract. This information is needed by the department to aid in evaluation of the international marketing program (see p. 19).

PRT may wish to reevaluate its practice of allocating 52% of the funds designated for Canadian promotion directly to local chambers of commerce (see p. 20).

PARD Funds

Because PRT does not keep records of projects that are denied funding in the recreation grants program, we could not determine whether the department has been consistent in determining which projects are an appropriate use of funds for planning, development and renovation of recreational facilities (see p. 30).

Introduction and Background

Audit Objectives, Scope and Methodology

Members of the General Assembly requested that we audit the Department of Parks, Recreation and Tourism (PRT) with emphasis on "... the utilization and other aspects of the admissions tax." We conducted survey fieldwork and consulted with the audit requestors. The resulting audit objectives focus on PRT's management of admissions tax funds, with a secondary objective of reviewing PRT's management of Parks and Recreation Development (PARC) or "bingo tax" funds.

The period of review was the three years from FY 90-91 through FY 92-93. Our review did not include other aspects of PRT's programs and administrative management; most significantly, we did not review the operations of the state parks. (For further discussion of the audit scope and methodology, see Appendix A.)

In our report, findings are discussed and conclusions and recommendations made when applicable. In response to the interests of the audit requestors, we have also included sections of descriptive information about the programs reviewed. This audit was conducted in accordance with generally accepted government auditing standards.

Our specific objectives (with references to discussion of our findings) are listed as follows:

Admissions Tax Funds

Review the history, use, accounting and reporting of admissions tax revenues allocated to PRT (see p. 5).

Review PRT's management of the tourism advertising contracts funded by admissions tax revenues (see p. 10).

Review the use of admissions tax funds for printing and mailing the annual vacation guide (see p. 15).

Review the use of admissions tax funds for international marketing (see p. 17).

Review the funds-sharing grant program for tourism promotion (see p. 21).

Parks and Recreation Development (PARC) Funds

Review the history and use of PARC funds and PRT's compliance with statutory requirements (see p. 27).

Review PRT's administration of the PARC grants program (see p. 29).

Agency Background

Created in 1967, the Department of Parks, Recreation and Tourism (PRT) operates and maintains state parks and historic sites across South Carolina. PRT also advertises and publicizes South Carolina as a vacation destination for tourists. The department provides technical assistance and matching grants for the acquisition and development of local recreation areas and works with local government, commercial and industrial groups to expand recreational and tourism opportunities in the state.

PRT was formerly governed by a commission of ten members. Effective July 1, 1993, the General Assembly created a new Department of Parks, Recreation and Tourism. The new department is comprised of the former PRT with the addition of the Film Office from the former State Development Board. Since July 1993, PRT has been headed by a director who is appointed by the Governor with the advice and consent of the Senate. The commission no longer exists.

The department's budget for FY 92-93 was \$42.5 million, of which \$14.9 million was state general funds. Revenues from park operations (\$11.9 million) and admissions tax funds (\$9 million) were major sources of funding for PRT in FY 92-93. The agency is administratively composed of eight divisions:

- Parks.
- Recreation.
- Tourism.
- Community Development.
- Film Office.
- International Marketing.
- Administrative Services.
- Engineering and Planning.

PRT had approximately 535 authorized FTEs for FY 92-93.

Our review focused on PRT's management and use of two special funds, admissions tax and Parks and Recreation Development (PARD) funds. Additional background information on these funds can be found on pages 5 and 27.

Chapter 1
Introduction and Background

Admissions Tax Funds

Background and Compliance Issues

One major source of funding for the Department of Parks, Recreation and Tourism (PRT) is a state tax levied on admissions fees for places of amusement. "Places of amusement" include facilities such as movie theaters, amusement parks, bowling alleys and golf courses, and exclude events sponsored by religious, charitable, educational and non-profit organizations.

The tax rate levied on admissions has been 5% since February 1992 (see Table 2.1). In FY 78-79, when PRT began receiving admissions tax funding, the first \$3.5 million derived from this tax was allocated to the state general fund, and revenue collected from fishing piers went to the Commercial Fisheries Division. Any revenue above these amounts was allocated to PRT. Section 51-1-75 of the South Carolina Code of Laws was subsequently amended to increase the state's share to \$4 million and then to \$5 million. PRT was restricted in its use of admissions tax revenue; the funds could only be used "to advertise and promote the tourism industry of the State."

Table 2.1: Changes in Admissions Tax Rates and Allocations to General Fund

	Admission Tax Rate	General Fund Share
FY 78-79 to FY 90-91	4%	\$3.5 million
FY 91-92	5% ^a	\$4.0 million
FY 92-93	5%	\$5.0 million

^a Tax rate changed from 4% to 5% effective February 1, 1992.

In FY 93-94, the appropriation act amended §51-1-75 to allocate all the admissions tax revenues (except those allocated to commercial fisheries) to PRT. It also allowed PRT to use these revenues for the operations of the department as well as to promote and advertise the tourism industry. The appropriation act also reduced PRT's state appropriation by \$5 million.

We reviewed PRT's use and management of admissions tax funds from FY 90-91 through FY 92-93. During this time the agency received a total of \$24,492,508 in revenues from the admissions tax. The revenues are maintained by the state treasurer in a sub-fund exclusively for PRT's use.

During the three fiscal years studied, PRT spent a total of \$21,412,425 from this fund.

Use of Admissions Tax Funds

From 1978 through FY 92-93, PRT was required to use the admissions tax funds for tourism promotion and advertising. By law, these activities must include paid media advertising (see p. 10) and a matching funds program to assist local tourism promotion organizations in the state (see p. 21). From FY 90-91 through FY 92-93, as shown below, PRT spent admissions tax revenues primarily in four areas (see Graph 2.1).

- Staff in the tourism and international marketing divisions of the agency.
- Other operating costs of these divisions.
- Advertising, the production of promotional material, trade shows, and other promotional projects.
- Grants made to local, non-profit tourism organizations for advertising and promotion.

In addition, PRT transferred \$2,307,000 from its admissions tax cash reserves to its capital projects fund to be spent on renovating South Carolina welcome centers.

We found that, in general, PRT spent admissions tax funds in compliance with legislative mandates and restrictions. Some issues involving PRT's use of these funds are discussed below.

Funds Not Fully Used

Admissions tax revenues are deposited in a special account maintained for PRT's use, and any excess in the account is carried forward from year to year. The balance in the account has increased every year since 1984, and the carry forward for FY 92-93 was \$9,012,194 (see Table 2.2). This was almost as much as the amount spent during that year, according to PRT data.

Graph 2.1: Total PRT Admissions
Tax Expenditures FY 90-91
Through FY 92-93

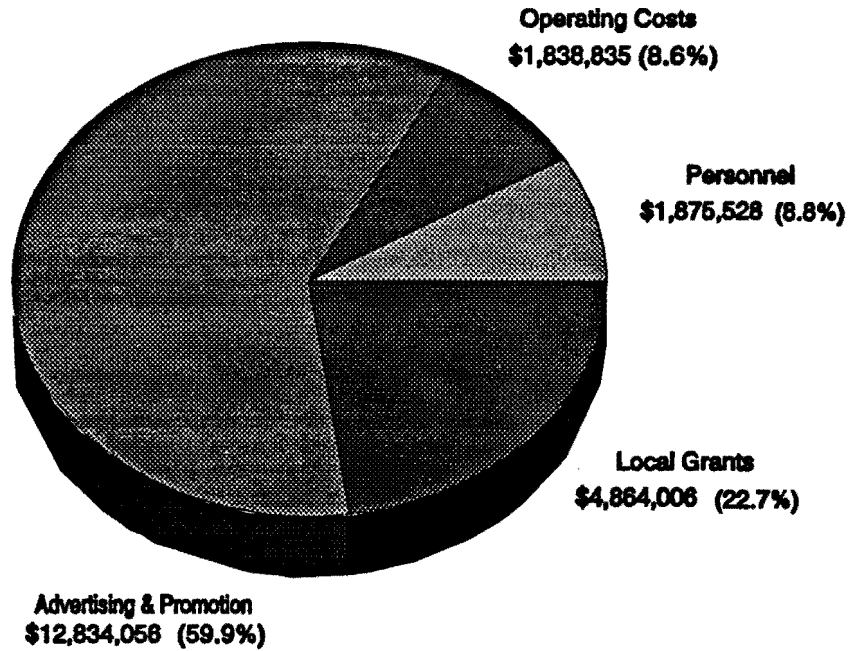


Table 2.2: PRT Admissions
Tax—Revenues, Expenditures and
Amounts Carried Forward

Fiscal Year	Revenues	Expenditures	Carried Forward
FY 85-86	\$2,254,157 ^a	\$2,224,950	\$2,942,837
FY 86-87	\$3,143,772	\$2,787,165	\$3,299,445
FY 87-88	\$4,009,521	\$3,312,538	\$3,996,428
FY 88-89	\$4,937,236	\$3,800,571	\$5,133,092
FY 89-90	\$5,819,583	\$5,021,558	\$5,931,117
FY 90-91	\$7,055,218	\$5,741,040	\$7,245,296
FY 91-92	\$8,404,351	\$6,528,771	\$9,120,875
FY 92-93	\$9,032,939	\$9,141,621	\$9,012,194

^a The funds carried forward from FY 84-85 were \$2,913,631.

Source: Department of Parks, Recreation and Tourism.

The large amount of carry forward funds is partly the result of PRT's budget cycle for admissions tax revenues. What is collected in one year is not spent until the following year. This was necessary, according to PRT officials, because PRT did not begin collecting any tax revenues until several months into the fiscal year, after the state general fund received the first \$3.5 million to \$5 million. In addition, PRT officials stated they conservatively budgeted the admissions tax revenues.

PRT did not rely solely on admissions tax funds to advertise and promote tourism, but used state general funds as well. In FY 92-93, PRT used \$2.1 million in state general funds for tourism-related expenditures. A fuller utilization of admissions tax funds for tourism activities could have made state funds available for other uses.

Changes in Legislation

Amendments to §51-1-75 made in 1993 allow PRT to use admissions tax funds for the operation of the department in addition to tourism advertising and promotion. PRT currently uses admissions tax funds for the activities of several divisions.

We identified some of PRT's uses of admissions tax funds that may not have been in compliance with the legislation before it was amended. For example, from FY 90-91 through FY 92-93, PRT used \$6.4 million in admissions tax funds to make short-term cash loans to state parks for operating, payroll, and disaster recovery projects. PRT paid back the admissions tax fund with park revenues at the close of each fiscal year.

Also, PRT contributed \$75,000 from admissions tax funds to the Charleston Defense Fund, a fund established to support South Carolina's campaign to keep the Charleston naval base open. Spending these funds for activities other than tourism promotion would be allowed by the current law.

Use of State Airplane

We noted one occasion where PRT spent \$2,225 for a state airplane to bring a board member into Columbia for two meetings. According to a PRT official, the board member lived in Myrtle Beach and was disabled due to recent surgery. Of this amount \$1,835 was paid from the admissions tax account. This use of admissions tax revenues may not have been in compliance with the intent of the former legislation. In addition, PRT could have found a less expensive way to bring the board member to the meetings.

Travel

We reviewed the use of admissions tax money spent for PRT employee travel. From FY 90-91 through FY 92-93, PRT spent \$307,694 from the admissions tax sub-fund for employee travel. (This did not include registration fees for conferences and trade shows.) We reviewed a sample of 90 travel vouchers, which accounted for all vouchers over \$1,000, in order to determine PRT's compliance with all applicable travel regulations. We found no material problems.

Some of this travel involved trips to Europe and Japan for tourism trade shows (see p. 17). Beginning in FY 92-93, Budget and Control Board regulations required PRT to report the amount spent on traveling outside the U.S., Canada and Puerto Rico. For that year, PRT reported overseas travel expenditures of \$54,776 in admissions tax and federal funds.

South Carolina travel regulations allow employees traveling overseas to be reimbursed for the actual costs of meals. We noted that meals for employees traveling overseas sometimes cost as much as \$130-\$140 a day in major cities such as Berlin and London. Since state regulations do not require receipts for meals, there is no way to determine if such costs were reasonable.

Travel regulations for federal employees establish a maximum daily rate for meal reimbursement while traveling overseas. In the PRT travel vouchers we examined, meal reimbursement claims for overseas travel exceeded the federal per diem rates 41% of the time. In September 1993, the South Carolina Budget and Control Board adopted a new policy requiring overseas travelers to submit receipts for any meal reimbursement claims which exceed the federal per diem rates.

Recommendation

- 1 The director of the Department of Parks, Recreation and Tourism should consider limiting overseas meal reimbursements to federal per diem limits.

Advertising and Promotion

The tourism industry has a major economic impact in the state. According to the United States Travel Data Center, 1992 travel spending in South Carolina had an estimated economic impact of \$6.5 billion, and resulted in state and local tax revenues of about \$361.7 million.

PRT has used its admissions tax revenue to operate two divisions: the division of tourism and the division of international marketing. The tourism division advertises, promotes and markets the state to domestic consumers and travel professionals. International marketing advertises South Carolina in Canada and overseas. Previously, international marketing was part of the tourism division but it became a separate division in FY 91-92. Our review of the international marketing division is on page 17.

Tourism division staff direct South Carolina's advertising and promotional campaign; create promotional material about the state; market the state as a travel destination to travel agents, tour guides and other professionals; and administer the nine welcome centers which are located along the major entry points into South Carolina. The department contracts with an advertising and public relations firm to conduct its advertising campaign.

One of the goals of PRT's ad campaign is to generate inquiries about South Carolina. People who contact the department are sent a free "South Carolina Travel Guide." PRT publishes the travel guide, which is a 4-color, 128-page catalogue with information about the state's vacation and scenic areas, tourist attractions, festivals and accommodations. By getting the travel guide and other promotional literature into the hands of interested consumers, PRT seeks to increase the chance they will travel to South Carolina and spend tourism dollars here.

Because of the size of the contracts involved, we focused our review on PRT's expenditures for advertising services, inquiry services, and printing the travel guide. In general, we found that PRT had adequately managed these contracts. We have recommended increased cost controls in some areas. A more detailed description of these contracts follows.

Advertising Agency Contract

A major portion of the department's ad campaign involves its contract with the Leslie Advertising Agency of Greenville. Leslie's responsibilities are determined by the scope of the contract, and require it to develop media

plans, create an advertising campaign, and contract with the broadcast and print media to carry PRT's advertisements.

PRT used a mixture of state, federal and other funds to pay for its contract with Leslie. Total costs over a three-year period were \$11,328,083. As Table 2.3 shows, the source of these funds was increasingly admissions tax.

**Table 2.3: PRT's Advertising
Contract Expenditures by Source
of Funds**

	FY 90-91	FY 91-92	FY 92-93
Admission Tax	\$1,113,309	\$2,275,729	\$3,808,620
State Funds	\$1,877,120	\$1,369,690	\$584,978
Federal Funds	•	\$93,157	\$161,104
Park Funds	\$32,214	•	\$11,163
Total	\$3,022,643	\$3,738,576	\$4,565,865
Percentage Admission Tax	37%	61%	83%

Numbers may not add due to rounding.

Source: Comptroller General.

The largest advertising expense is the cost of buying space or time in the newspapers, magazines and TV stations that carry PRT's ads. Media advertising used about 65% of PRT's ad budget for FY 90-91 through FY 92-93. Creative services, such as those needed to shoot photos for a print ad or to produce a TV commercial, accounted for about 18%. Collateral or incidental services comprised the remaining portion of ad expenditures. These services included special promotional projects and the cost of a toll-free telephone service.

Leslie receives compensation for its services from three sources: commissions on media placements; time charges for creative work; and commissions on services and materials obtained from outside suppliers. These terms are set by the contract. According to general services officials, Leslie's commission rates and payment terms are standard for the advertising industry.

According to its contract, 23 Leslie staff devote at least 15% of their time to the PRT account (a full-time equivalent of 7 staff).

Evaluating the Advertising Campaign

We reviewed how PRT determines whether its advertising campaigns are successful. One method PRT uses is to track trends in consumer inquiries. These inquiries come into the agency from several sources, including the toll-free telephone number, travel and tour agents, and magazine reply cards. PRT received 682,114 inquiries in FY 92-93, an increase of 14% from the previous year. Leslie monitors the number of inquiries generated by the ads on an individual basis, so it can compare the performance of the media chosen to carry the ads. This information is then used to develop the media plans.

PRT also has used "conversion" studies to determine the effectiveness of its advertising. These studies attempt to measure the rate at which potential travelers were "converted" to actual visitors to South Carolina after they had been exposed to PRT's promotional campaign. The United States Travel Data Center performed a statewide conversion study for the department in 1985. This study estimated that, for every dollar PRT had spent in advertisements, travelers to the state spent \$35. The 1985 conversion study also found that 43% of the travelers in its sample who received information about South Carolina said the information was a major factor influencing whether they visited the state.

Since then, because of the expense involved, PRT has not undertaken any major conversion studies. The department is currently conducting a limited conversion study on the effectiveness of its golf advertising.

In addition, PRT monitors general economic trends such as the growth in admissions tax and accommodations tax revenues, and the economic impact of tourism in South Carolina.

Contract Controls and Management

We reviewed PRT's contract with Leslie for cost and accountability controls, and examined PRT's management of the contract to ensure maximum benefit to the state. Overall, PRT staff have implemented adequate contract management procedures.

The contract, which extends from July 1, 1991, through June 30, 1994, with an automatic one-year extension, was procured through a request for proposal (RFP) process administered by the Division of General Services. We reviewed the RFP file and did not identify any problems with the procurement of the contract. We also reviewed a 1991 audit conducted by general services' office of audit and certification. The audit found that PRT's previous advertising contract lacked adequate controls over contract expenditures. We found the current contract corrected the problems identified in the audit. It included more specific provisions on agency commissions, travel costs, ownership of creative material, and required supporting documentation for contractor invoices.

The division of tourism has one full-time staff member to manage its advertising campaign and contract with Leslie, and there was documentation (in the form of memos, letters, and frequent conference reports) of contact between Leslie and PRT staff. We found that Leslie has provided all the services required by the contract.

In order to control contract expenditures, PRT management establishes an annual budget for media advertising, and directs Leslie to write a detailed media plan outlining the size and costs of ad space to be purchased, and what newspapers, magazines and TV stations will carry PRT advertising.

The cost of all creative work and special projects carried out by Leslie's staff is pre-estimated and approved in advance by PRT before the work begins.

Billing Controls

Although PRT has adequate controls to ensure that contract services are provided, we found that the department does not regularly review supporting documentation that would verify Leslie's costs. Leslie bills PRT at least monthly for its services. The invoices are accompanied by a billing work sheet which gives PRT a breakdown of all the costs. However, the work sheets do not include primary documentation for third-party charges and Leslie's creative work. According to officials, this documentation is maintained on-site at Leslie's offices.

The 1991 audit by the office of procurement and certification found that, from 1982-1990, PRT had sometimes paid for inappropriate travel and other expenses. The audit recommended that PRT designate a staff person to verify Leslie's invoices on a day-to-day basis. In order to verify the invoices, PRT should review documentation such as time sheets, travel expense receipts and third-party invoices to Leslie.

PRT spent more than \$11 million for Leslie's services from FY 90-91 through FY 92-93. More comprehensive controls are needed in order to ensure that billings are correct and in compliance with allowable costs.

Recommendation

- 2 The Department of Parks, Recreation and Tourism should require the advertising agency to submit supporting documentation for all its billings. PRT staff should regularly review supporting documentation in order to verify advertising invoices.
-

Toll-Free Telephone Service

On behalf of PRT, Leslie maintains the subcontract with a toll-free telephone answering service. PRT's print and television advertisements carry an 800 number that consumers can call if they wish to receive the department's travel guide. The telephone service answers these calls and electronically transmits to PRT the names and addresses of callers so they can receive PRT's literature. In FY 92-93, the subcontractor cost about \$175,000 and handled approximately 166,600 telephone inquiries.

We reviewed the process by which Leslie Advertising obtained the telephone answering service subcontract and concluded that it was competitively bid and procured. However, if PRT directly contracted for the telephone answering service, it could save approximately \$20,000 annually.

Leslie is allowed a commission of 12.5% on the net cost of the subcontract. For FY 92-93, this amounted to almost \$20,000. This cost is increasing because the telephone answering service bills by the number of inquiries received, and these increased 35% from FY 91-92 to FY 92-93.

For this commission Leslie handles day-to-day monitoring and receives daily and weekly reports from the subcontractor. However, the subcontractor also transmits the names and addresses of inquirers to PRT on a daily and weekly basis. PRT then routes this information to be used for mailing the travel guide.

Given the increasing cost of this subcontract, and the fact that PRT already handles the data collected by the subcontractor, it would be cost-effective if PRT directly bid and managed any contracts for telephone answering services.

Recommendation

- 3 The Department of Parks, Recreation and Tourism should directly contract for the toll-free telephone answering services it needs.
-

Printing Contract

PRT has a five-year contract with Brookshore Lithographers to print and distribute the department's annual travel guide. A highway map of South Carolina accompanies the guide. Consumers who contact the department receive the travel guide and highway map free of charge.

About 900,000 copies of the travel guide and one million maps are printed annually. The cost for printing the guide and maps was \$677,129 in FY 90-91; \$681,852 in FY 91-92, and \$1,001,355 in FY 92-93. The cost of the travel guide increased because the size increased, from 80 pages during the first year of the Brookshore contract to 124 pages in 1993. The 1994 guide is 128 pages. Also, Brookshore was allowed a 4.5% price increase in 1991. Admissions tax funded 91% of the cost of the Brookshore contract during the years reviewed.

In addition to printing the travel guide, Brookshore's contract requires that it process, sort and mail the guides. Brookshore subcontracts with a mailing/distribution firm for these services. PRT uses the inquiries generated by its advertisements to create a database of names and addresses, which it then sends to the firm on a weekly basis.

We reviewed the printing contract for cost and accountability controls, as well as PRT's contract management procedures. The contract with Brookshore, which was awarded for five years in FY 90-91, was competitively bid and procured through the Division of General Services. We did not identify any problems with the procurement of the contract.

The contract has detailed printing specifications and requirements for the sorting and mailing services to be provided. We found no problems with controls to ensure that printing costs are billed accurately. PRT staff and the state printing officer at general services review printing invoices to ensure contractor compliance. Printing accounted for 86% of the total contract costs for the three years reviewed. However, supporting documentation does not always match the invoices for mail-sorting and shipping the travel guides.

PRT pays Brookshore for the cost of mail-sorting all the travel guides and shipping costs for the material that is sent to Canada and overseas. These

costs are documented by postal forms, bills of lading, and shipping invoices that are attached to each invoice. We reviewed a limited number of invoices and found several instances where the documentation did not match the charges on the invoices. Sometimes documentation for one month's charges was sent with another month's invoices. This enhances the possibility of billing errors. Although the magnitude of the discrepancies was not large, PRT should ensure all the invoices are correct prior to paying the printing contractor.

Recommendation

- 4 The Department of Parks, Recreation and Tourism should require that all invoices sent from the printing contractor have accurate and adequate supporting documentation. All invoices should be reconciled to supporting documentation prior to payment.
-

Internal Audit

From July 1991 to September 1993, PRT did not staff its internal audit function. According to department officials, PRT had to forgo positions in its central office in order to staff new parks. One internal auditor position was reinstated in September 1993, with priority on auditing controls for cash, inventory and payroll within the various state parks.

We found a need for regular internal audits of the contracts maintained by the tourism division for its advertising program. The dollar amounts of the advertising and printing contracts, as well as the complexity of the billings involved, point to a need for a comprehensive internal audit on an annual basis.

The procurement audit conducted by general services also recommended that PRT's internal auditor review Leslie's invoices annually. However, except for a very limited review conducted in 1992, PRT has not performed internal audits of the current contract.

We also found that PRT's internal auditor does not report to the appropriate agency official. The internal auditor at PRT currently reports to the agency controller. However, the U.S. Comptroller General's *Government Auditing Standards* state that the internal audit staff should report to the director or deputy director of the agency. Appropriate reporting helps to ensure the

auditor's independence, broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations.

Recommendations

- 5 The Department of Parks, Recreation and Tourism should ensure that its internal audit staff performs annual audits on major advertising and printing contracts.
- 6 The internal audit staff of the Department of Parks, Recreation and Tourism should report to the director or deputy director of the agency.

International Marketing

The Department of Parks, Recreation and Tourism, through its division of international marketing, promotes the state of South Carolina to travelers in Canada, Europe and Japan. Until FY 91-92, international marketing was a part of the division of tourism.

The division of international marketing was funded with a combination of federal and admissions tax revenues for the past two years, as shown on Table 2.4.

Table 2.4: International Marketing Expenditures by Source of Funds

Source of Funds	FY 91-92	FY 92-93
Federal	\$269,103	\$389,661
Admissions Tax	\$723,223	\$889,393
Total	\$992,326	\$1,239,054
Percentage Admissions Tax	73%	72%

Does not include employee benefits.

Source: Department of Parks, Recreation and Tourism.

Promotional activities of the division include advertising in travel trade publications and a limited number of consumer publications; creating travel guides and promotional materials in foreign languages; exhibiting at international travel trade shows; and marketing targeted toward overseas travel agents, tour operators, and travel writers.

International marketing maintains a contract with a marketing representative in Frankfurt, Germany, and a subcontract for representation in London, England. PRT also belongs to a consortium of southern states, Travel South, which share in the cost of a marketing representative in Tokyo, Japan. In addition to yearly dues to Travel South of \$18,000, PRT paid \$8,600 for its share of marketing representation in FY 92-93.

The appropriation acts for the three years we reviewed each contained a provision designating \$85,000 in admissions tax funds for Canadian promotion. These funds are also included in international marketing's budget.

European Marketing Representative

In 1989 PRT entered into a five-year contract with the firm of Hans Regh Associates to provide overseas representation in Western Europe, particularly Germany and the United Kingdom. Hans Regh's responsibilities, as determined by the scope of services of the contract, include travel trade coverage, tour package development, familiarization tours, advertising and public relations.

PRT's expenditures with Hans Regh over the three years we reviewed totalled approximately \$1.3 million. Hans Regh's invoices to PRT included actual out-of-pocket expenses attributable to PRT (such as printing, mailing and shipping); the costs of placing ads in the travel trade and consumer media; and travel expenses incurred for travel trade shows and exhibitions. In addition, Hans Regh is paid a monthly fee of \$3,000. According to a PRT official, he also receives a 15% commission on the gross costs of advertising placed.

We reviewed PRT's contract with Hans Regh and how it was managed for cost and accountability controls. The contract was procured through an RFP administered by the division of general services. While four bidders made proposals, only Hans Regh was ruled responsive to specifications, according to general services officials.

Contract for European Representation

We identified weaknesses in the contract with Hans Regh, as follows:

- The rate of reimbursement for travel costs is not addressed. Traveling to trade shows, seminars and tourism exhibitions is an important part of Hans Regh's duties.
- The contract does not specify that Hans Regh will receive a 15% commission on the gross amount of advertising placed.
- Contract budgets have not been clearly documented. The contract specified a budget of \$155,000 for the initial year of 1989-90. For the following two years, contract modifications changed the budget to \$410,000 and \$395,000. However, we could not locate any contract modifications for FY 92-93 and FY 93-94. Contract expenditures for FY 92-93 were \$544,439.

PRT reimbursed Hans Regh for actual hotel and transportation expenses, and he received approximately \$40 a day for meals. State travel regulations allow state employees reimbursement for actual hotel, transportation, and meal costs when they travel overseas (see p. 9). Also, Regh's 15% commission on advertising sales is standard for the industry.

However, all reimbursement rates and commissions should be spelled out in the contract. The contract should contain a modification for each year the total budget is changed.

Recommendation

- 7 When the contract for overseas marketing representation expires, the Department of Parks, Recreation and Tourism should replace it with a more comprehensive document that specifies travel reimbursement rates, all commissions and any other compensation. Any changes to contract provisions should be made as a contract amendment.

Contractor Reporting

We reviewed a judgmental sample of about 25% of Hans Regh's invoices to PRT. The invoices that we sampled had adequate documentation to support Hans Regh's charges to PRT.

The contract requires that Hans Regh submit a quarterly report of his activities to the division. For the three years we reviewed, however, he had not done so. In addition, the contractor is to furnish PRT with annual media plans and an annual report on the economic impact of the European marketing program for South Carolina. During our fieldwork we found only the annual report from 1990. In February 1994, PRT requested and received from the contractor the annual and quarterly reports.

Particularly because of the distances involved, it is important for PRT to have detailed reporting from its European representative. This information is needed both to evaluate the contractor's performance and to aid the department in determining the results of its overseas spending.

PRT has limited information on the results of its international marketing efforts. According to officials, they depend on the United States Travel and Tourism Administration to provide data on the economic impact of international tourism in South Carolina.

Recommendation

- 8 The Department of Parks, Recreation and Tourism should ensure that the overseas marketing representative submits reports as required under this contract.
-

Canadian Promotion

The appropriation acts for the three years reviewed designated \$85,000 in admissions tax revenues for Canadian promotion. PRT spends about \$40,000 to place advertising in Canadian publications and attend a trade show in Canada. The remainder of the funds are passed on to local chambers of commerce in Myrtle Beach, Georgetown, Conway and Sumter.

Based on a letter of legislative intent for FY 88-89, PRT continues to allocate \$35,200 to the Myrtle Beach Area Chamber of Commerce; \$4,000 to the Georgetown County Chamber of Commerce; \$4,000 to the Conway Area Chamber of Commerce; and \$1,000 to the Greater Sumter Chamber of Commerce.

These organizations are to use the funds for projects that directly relate to the advertising, promotion and development of Canadian tourism in South Carolina. The chambers of commerce submit an annual billing to PRT

showing funds spent on Canadian promotion, and are reimbursed for actual expenses up to the amount of their individual allotments.

PRT allows the local chambers of commerce to be reimbursed for actual expenses for the local Canadian-American events they sponsor. These include expenses for food, entertainment and decorations. By contrast, local entities participating in the funds-sharing grant program are allowed reimbursement for advertising and promotion expenses only.

While the appropriation act directs PRT to spend the \$85,000 on Canadian promotion, it does not require the agency to pass through funds to local chambers of commerce. We found no evidence that PRT evaluated priorities or results in deciding to fund these local activities directly instead of using the funds for other Canadian promotion efforts.

Recommendation

- 9 The director of the Department of Parks, Recreation and Tourism may wish to reexamine the use of Canadian promotion funds by the local chambers of commerce.

Tourism Funds-Sharing Program

PRT's tourism division activities include the administration of a matching grant program to assist the state's local tourism organizations. According to §51-1-75(B) of the South Carolina Code of Laws, the advertising and promotion activities funded by the admissions tax must include "establishment by the department of a matching funds program to assist local tourism promotion organizations in the state."

Program guidelines are, by law, formulated by PRT and the Joint Legislative Committee on Tourism and Trade. Grants are awarded competitively each year on the basis of a review of applications. Fifty percent of each project's funding is provided by the recipient organization. The grant funds are paid on a reimbursement basis.

For FY 90-91 through FY 92-93, funds-sharing grant awards totalled \$4,650,000. Over 700 projects were funded and only 87 were denied funding (see Table 2.5). The majority of the applications not funded were

submitted by organizations that had at least one other project funded the same year.

Table 2.5: Funds-Sharing Grant Applications

Year	Total Applications	Grants Awarded	Applications Not Funded	Total Awarded	Awarded Funds Not Spent
FY 90-91	262	213	49	\$1,400,000	\$153,054
FY 91-92	243	217	26	\$1,450,000	\$264,283
FY 92-93	291	279	12	\$1,800,000	\$310,517
Total	796	709	87	\$4,650,000	\$727,854

Source: Department of Parks, Recreation and Tourism.

Of the \$4.65 million awarded by the funds-sharing program over a three-year period, approximately 16% was never disbursed to recipient organizations. According to PRT officials, organizations fail to spend their grant money for a variety of reasons. These include inexperience of first-time recipients, illness of a key person, and overextending of the organization. Unspent funds revert to an admissions tax pool which is carried forward (see p. 6).

For all three years, each of the state's 46 counties received at least one funds-sharing grant, or a portion of a multi-county award. Single grants in this program ranged from \$500 (the minimum allowed by program guidelines) to \$115,000. Many types of organizations, from large chambers of commerce and visitors and convention bureaus, to small neighborhood associations, arts councils, historic foundations, downtown development associations, museums, festivals, local and county governments, theaters, and hotel and motel associations have received funding from this program.

Small grants have paid for such items as Calhoun County's "Purple Martin Festival" brochure, billboards to advertise the South Carolina Apple Festival, and newspaper ads for the Charleston Scottish Society. One of the two largest single grants, the Myrtle Beach Golf Holiday comprehensive ad campaign, included 191 invoices for such items as advertising in European golf magazines and a long distance toll-free telephone number with

translation services. Other invoices included exhibition and shipping fees for domestic and European travel shows, a full-color vacation planning guide, targeted European mailings of the planning guide, televised specials on golf in the United States, and a Myrtle Beach golf video.

Review of Grant Administration

We reviewed PRT's procedures and controls for administering the funds. In addition, we reviewed the project description for each approved funds-sharing grant to ensure that all projects were related to a tourism purpose. Overall, we found no material problems with PRT's management of the tourism funds-sharing program.

We also reviewed a random judgmental sample of 51 project files from FY 90-91 through FY 92-93. Among the items we examined in each file were:

- Explanation of tourist purpose for project.
- Verification of requested and funded amounts.
- Proper bid process (where required) for printing.
- Matching of all invoices with all cancelled checks in file.
- Copies of written materials and ads funded by grant.
- Presence of required program logo and map(s) on printed matter.

We found no material problems with PRT's controls for ensuring projects were in compliance with law and program guidelines.

Criteria for Awarding Grants

PRT staff evaluates project applications and recommends which projects to fund, and at what level. Some successful applicants have received full funding, even for very large projects, while other applicants have received as little as 4% to 8% of what they requested.

The guidelines state that the primary function of funds-sharing projects must be tourism, and they must stimulate economic growth and enhance future tourism. The guidelines also specify that priority is given to organizations

that have not participated before, that advertise out-of-state, have major community-wide participation, and have previously complied with program guidelines. Based on these criteria, it was often not possible to determine why some grants were funded and others not.

We found that the staff also consider a wide range of unwritten factors in making their decisions. These include:

- Geographic distribution of funds.
- Balance of urban versus rural projects.
- Balance between large professional tourism organizations and small volunteer groups.
- Effectiveness of type of project in attracting tourists.
- Strength of sponsoring organization.
- Innovative nature of proposal.

We found no problem with the staff considering these additional factors in making their funding recommendations. However, PRT may wish to include them in the published program guidelines so that applicants could better understand the basis of agency decision-making.

Recommendation

- 10 The Department of Parks, Recreation, and Tourism should consider specifying in the written guidelines more of the criteria used in awarding funds-sharing grants.
-

Role of Joint Legislative Committee

During the three years under review, PRT submitted its staff recommendations for specific projects to the Joint Legislative Committee on Tourism and Trade for its approval. The committee voted to accept or reject PRT recommendations for project funding. The authority for this practice is questionable because the statute mentions the joint legislative committee's role only with regard to formulating program guidelines. However, we could find no evidence that the committee changed any PRT funding

recommendations during the years reviewed. Also, in 1993, the joint legislative committee voted to remove itself from the grant approval process.

PRT has added a citizens advisory committee to the funds-sharing grant review process. The wording of the guidelines for 1994 suggests that the citizens advisory committee will act to approve or deny projects. According to PRT officials, that is not their intent. That authority rests solely with the director of PRT.

Recommendation

-
- 11 The Department of Parks, Recreation and Tourism should reword its guidelines for the tourism funds-sharing program to clarify that the citizens committee may give input or advice but does not have the authority to approve projects.

Chapter 2
Admissions Tax Funds

Parks and Recreation Development (PARD) Funds

Background and Allocation of Funds

The South Carolina Department of Revenue collects taxes from holders of bingo licenses. In accordance with §12-21-3590 of the South Carolina Code of Laws, the department distributes 50% of the total collections to the state general fund, 37.5% to the Department of Parks, Recreation and Tourism (PRT), and 12.5% to the Commission on Aging.

PRT's share is used in the Parks and Recreation Development Fund (PARD) program. The PARD program is a non-competitive grant program for eligible government entities in each county for planning and development of new parks and recreation facilities and renovations to existing facilities. Counties are reimbursed at a rate of 80% of eligible costs, not to exceed the grant award.

All PARD grant applications must be submitted in writing and approved by a majority of the members of a county's legislative delegation. Funds allocated to each county may be carried forward for three fiscal years. After three years, any unexpended funds are lost to that county and are redistributed in the annual allocation process.

We reviewed PRT's management and use of PARD funds, including compliance with statutory requirements and administration of the grants program.

Allocation of PRT PARD Funds

In accordance with §51-23-20 of the South Carolina Code of Laws, PRT's Parks and Recreation Development funds must be allocated annually as follows:

- \$20,000 is credited to each county.
- 75% of the remaining funds are credited to each county on a per capita basis.
- Remaining funds are credited to PRT, up to 5% to be used by the recreation division for costs of administering the PARD program, and remaining funds to be used by the PRT parks division for planning, developing and renovating parks and recreation facilities.

We reviewed PRT's allocation of PARD revenues from FY 90-91 through FY 92-93. We found the allocations, determination of lapsed funds and reallocations to be in compliance with statutory requirements.

Table 3.1 and Graph 3.1 show the use of PARD funds for FY 90-91 through FY 92-93. The funds carried forward are primarily funds allocated to counties but not yet used.

**Table 3.1: PARD Fund:
Revenues, Expenditures, Lapsed
County Allocations and Amounts
Carried Forward**

Fiscal Year	Revenues	Expenditures	Lapsed	Carried Forward
FY 90-91	\$2,618,255	\$1,602,758	\$17,581	\$5,544,154
FY 91-92	\$2,766,875	\$2,454,878	\$84,072	\$5,772,079
FY 92-93	\$2,267,438	\$2,571,332	\$40,835	\$5,427,350

The funds carried forward from FY 89-90 were \$4,546,237. Numbers may not add due to rounding.

Source: Comptroller General and Department of Parks, Recreation and Tourism.

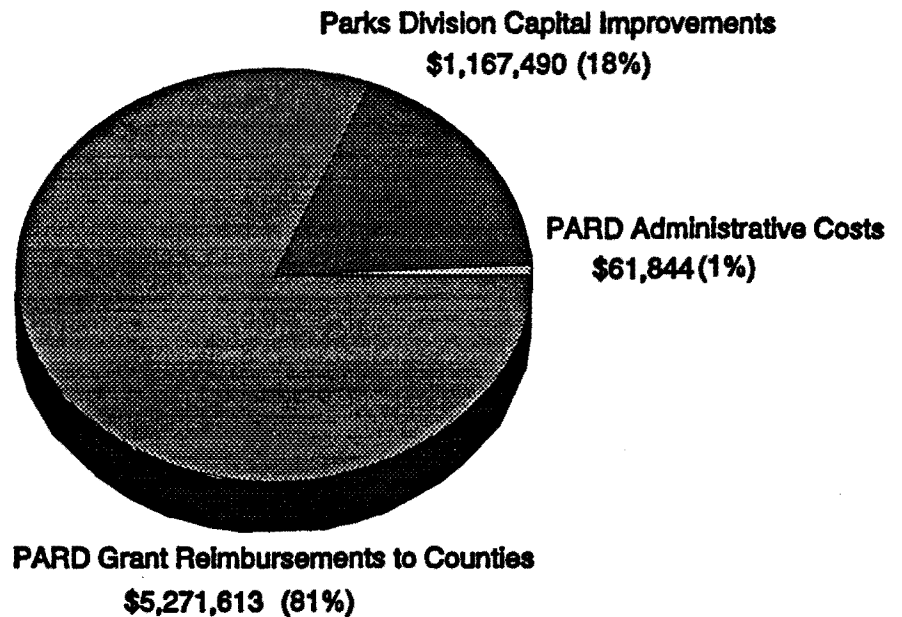
Lapsed Funds

In accordance with §51-23-30, funds allocated to counties may be carried forward for three years. After three years, any remaining funds are reallocated along with new revenues using the allocation formula.

County allocations totaling \$142,487 lapsed from FY 90-91 through FY 92-93. Twelve counties used all of their allocated PARD funds. Individual counties lapsed funds ranging from \$11 (Richland) to \$25,122 (Bamberg). Four counties lost over \$12,000 each (see Appendix B).

We found evidence that PRT regularly notifies county officials and county delegations of the amount of funds available. PRT also sends reminders to individual project sponsors indicating the amount of remaining funds and payment deadlines. When a county does not use its allocated PARD funds, the citizens of the county may have less access to adequate recreation facilities.

Graph 3.1: Total PARD Fund
Expenditures, FY 90-91 Through
FY 92-93



Grants to Counties

According to §51-23-30, PARD funds are to be used by counties for planning and development of new parks and recreation facilities or renovations to existing facilities. The PARD program is a non-competitive grant program for eligible government entities in each county. Projects that meet the guidelines and are approved by the county's legislative delegation are approved if funds are available.

PRT's administration of the PARD program is guided by regulations which specify program requirements. The regulations provide controls to ensure the project is completed in accordance with legislative intent. PRT requires documentation that the county's legislative delegation has approved the project and proof that the applicant has control over the property. The regulations also require copies of invoices and cancelled checks paid by the recipient, and proof that local procurement regulations

were followed. A final inspection must be performed prior to final payment, and only eligible costs which occurred within the project period may be reimbursed.

We reviewed a statistical sample of 47 of 421 (11%) of grant files for grants awarded between FY 90-91 and FY 92-93 to determine whether the award was given to an eligible entity, whether the documentation on file met the requirements set forth in regulation and whether the project was eligible.

Overall, we found no material problems with PRT's administration of PAR projects. The recreation division has established a good system of controls, guided by regulation, to ensure that the PAR program is administered properly, including a checklist to ensure that all requirements have been met and all procedures followed.

We also reviewed the project descriptions for every approved PAR project to ensure that all projects were related to the development of parks and recreation facilities. Most projects were for recreational facilities such as baseball fields, playgrounds and tennis courts. However, the purpose of some projects was less clearly related to recreation.

Denied Projects and Definition of Recreational Use

The PRT recreation division does not have a specific definition of what it considers a "recreational facility," and does not keep track of projects which have been disapproved. In addition, program regulations do not define a recreational facility.

We found that it was difficult to distinguish between historic preservation, such as restoring train depots; the arts, such as restoring a theater for use by an arts group; and traditional recreational facilities such as parks, playgrounds and sports facilities. For example, restoration (re-roofing, adding heat and A/C, or total restoration) of an historic train depot or theater was considered recreation if the facility was to be used for games, arts and crafts, or dance lessons. Some approved projects were not obviously related to recreation. These included re-roofing and restoration of several train depots, restoration of a theater, and restoration of an 8,000 gallon water fountain in front of a town hall.

According to PRT recreation division officials, county delegations decide which projects will be funded, and if it is questionable or borderline, recreation division staff meet and make a judgement call regarding

whether or not the project is appropriate. PRT officials stated that they fund those that, in their judgement, appear to be in accordance with legislative intent and are consistent with projects funded in the past.

Officials stated that sometimes projects are "denied" before they ever get to the project application stage. However, because there is no record of denied projects, we were unable to determine whether PRT has been consistent in determining which projects are approved.

PRT officials stated it would be a good idea to keep up with projects and requests they considered inappropriate through a log or other records.

Recommendation

-
- 12 The Department of Parks Recreation and Tourism should keep records of all proposed Parks and Recreation Development Fund projects.
-

Use of Funds by Parks Division

In accordance with §51-23-40, any remaining funds (after allocations to counties and a 5% allocation to PARD administrative costs) must be used for planning, development, and renovation of state parks and recreation facilities. PRT deposits the funds directly into the parks division capital projects account (see Table 3.2).

Projects funded in part by PARD funds during FY 90-91, FY 91-92 and FY 92-93 included statewide park improvements necessary to comply with the Americans With Disabilities Act and statewide repair or replacement of park utilities such as sewage treatment, water and gas systems. PARD funds were also used for lodging and restaurant renovations and replacement of the existing gas dock at Hickory Knob State Park, Charles Towne Landing improvements, and construction of public information offices at Myrtle Beach and Dreher Island State Parks.

We reviewed the use of PARD funds by the parks division and found all uses to be appropriate and in accordance with state law.

**Table 3.2: PARD Fund Revenues
Used by Parks Division Capital
Improvement Fund**

Fiscal Year	Expenditures
FY 90-91	\$325,521
FY 91-92	\$403,336
FY 92-93	\$438,633

Source: Comptroller General.

Recreation Division Administrative Costs

The PRT recreation division receives 5% of remaining funds after allocations to counties for costs of administering the PARD program. We reviewed the division's use of the funds and found the expenditures to be appropriate administrative expenditures. We did find that the recreation division may be able to save funds by using state-owned vehicles when travel is necessary.

Appendices

Audit Scope and Methodology

The scope of our review was generally limited to those programs of the Department of Parks, Recreation and Tourism funded with admissions tax and Parks and Recreation Development (bingo tax) funds. These programs are administered primarily by the tourism, international marketing and recreation divisions of the department.

Our review did not include other aspects of PRT's programs and administrative management; most significantly, we did not review the operations of the state parks. The period of review was the three years from FY 90-91 through FY 92-93. In some cases we reviewed program activity prior to this period, and we also considered information about agency operations through January 1994.

We used PRT's financial and accounting records for the funding sources audited, and the grant files PRT maintains for the tourism funds-sharing and PARD grants programs. We also reviewed PRT's contracts for advertising and other services and other administrative records for the programs under review, including internal audit reports.

We reviewed audit reports and information from the State Auditor's Office, the Comptroller General's Office, the Budget and Control Board Division of General Services, and the Joint Legislative Committee on Tourism and Trade. We conducted interviews with PRT staff and officials with other South Carolina state and local agencies.

The primary criteria we used to measure program compliance were state law and regulations concerning the use of admissions tax and PARD funds. We also used PRT's authorizing legislation, state law and regulations for travel and procurement, and PRT's policies and contracts. We also examined statistics and reports about tourism marketing and promotion from other states and independent organizations.

We reviewed PRT's management and accounting controls for the administration of grant programs and controls to ensure compliance with statutory requirements for the use of admissions tax and PARD funds. We also reviewed controls used to monitor contracts and ensure the effective use of state funds.

We used random samples to review the grant project files in the tourism funds-sharing grants and PARD grants programs. We did not review the reliability of computer-generated data provided by PRT. In most cases, we did not rely on this data to meet our audit objectives. Also, when PRT's computer-generated data was viewed in context with other available evidence, we believe the opinions, conclusions and recommendations in this report are valid.

Lapsed PARD Funds by County FY 90-91 through FY 92-93

County	FY 88-89 Funds Lapsed In FY 90-91	FY 89-90 Funds Lapsed In FY 91-92	FY 90-91 Funds Lapsed In FY 92-93	Total
Abbeville	\$0	\$2,417	\$2,096	\$4,513
Aiken	\$0	\$1,934	\$2,024	\$3,958
Allendale	\$564	\$0	\$3,095	\$3,659
Anderson	\$0	\$255	\$0	\$255
Bamberg	\$321	\$24,801	\$0	\$25,122
Barnwell	\$0	\$0	\$0	\$0
Beaufort	\$0	\$999	\$0	\$999
Berkeley	\$4,882	\$7,621	\$92	\$12,594
Calhoun	\$0	\$0	\$0	\$0
Charleston	\$771	\$592	\$2,208	\$3,571
Cherokee	\$0	\$0	\$0	\$0
Chester	\$130	\$5,224	\$894	\$6,248
Chesterfield	\$0	\$167	\$246	\$414
Clarendon	\$0	\$2,681	\$966	\$3,647
Colleton	\$0	\$0	\$0	\$0
Darlington	\$11	\$0	\$102	\$112
Dillon	\$536	\$1,477	\$0	\$2,013
Dorchester	\$0	\$0	\$4,053	\$4,053
Edgefield	\$0	\$0	\$0	\$0
Fairfield	\$2,961	\$0	\$6,907	\$9,868
Florence	\$159	\$0	\$79	\$237
Georgetown	\$0	\$0	\$0	\$0
Greenville	\$0	\$0	\$170	\$170
Greenwood	\$0	\$0	\$0	\$0
Hampton	\$0	\$0	\$1,467	\$1,467
Horry	\$121	\$0	\$0	\$121

Appendix B
Lapsed PARD Funds by County FY 90-91 through FY 92-93

County	FY 88-89 Funds Lapsed In FY 90-91	FY 89-90 Funds Lapsed In FY 91-92	FY 90-91 Funds Lapsed In FY 92-93	Total
Jasper	\$460	\$2,304	\$0	\$2,764
Kershaw	\$0	\$10,237	\$5,375	\$15,612
Lancaster	\$0	\$0	\$156	\$156
Laurens	\$0	\$2,635	\$264	\$2,899
Lee	\$4,448	\$0	\$0	\$4,448
Lexington	\$0	\$0	\$0	\$0
McCormick	\$0	\$3,894	\$76	\$3,970
Marion	\$710	\$3,803	\$0	\$4,513
Marlboro	\$700	\$1,378	\$467	\$2,544
Newberry	\$0	\$0	\$0	\$0
Oconee	\$118	\$0	\$0	\$118
Orangeburg	\$0	\$0	\$0	\$0
Pickens	\$689	\$1,632	\$0	\$2,321
Richland	\$1	\$0	\$9	\$11
Saluda	\$0	\$0	\$0	\$0
Spartanburg	\$0	\$0	\$1,637	\$1,637
Sumter	\$0	\$5,672	\$240	\$5,912
Union	\$0	\$156	\$0	\$156
Williamsburg	\$0	\$0	\$0	\$0
York	\$0	\$4,195	\$8,211	\$12,406
Total	\$17,581	\$84,072	\$40,835	\$142,487

Numbers may not add due to rounding.

Source: Department of Parks, Recreation and Tourism.

Agency Comments

Appendix C
Agency Comments



Grace G. McKown, *Director*

April 20, 1994

Mr. George L. Schroeder, Director
South Carolina Legislative Audit Council
400 Gervais Street
Columbia, South Carolina 29201

Dear Mr. Schroeder:

Attached are our revised comments to the LAC review of PRT. The only changes are typographical or grammatical.

Again, many thanks for the cooperation from your staff. If we can be of any assistance, please feel free to call.

Best regards,

Grace G. McKown
Director

Enclosure

South Carolina Department of Parks, Recreation and Tourism
Legislative Audit Council Report: Agency Comments

CHAPTER 2: Admissions Tax Funds

Short-Term Loans (Page 8 - Changes in Legislation - middle paragraph):

Yes, P.R.T. used admissions tax dollars for working capital. All of these funds were repaid within the same fiscal year and were used only for purposes allowed by state laws. Due to seasonal fluctuations in state park revenues during the fiscal year, it is necessary to provide short-term cash flow funding during "off-peak" periods. This funding is repaid during peak revenue periods. Shortly after Hurricane Hugo, short-term admissions tax cash loans were provided to fund the recovery effort until Federal reimbursements were received. This resulted in bringing revenue-producing parks on line six months to a year faster than would have been possible otherwise.

Contribution to Charleston Defense Fund (Page 8 - Changes in Legislation - last paragraph):

Yes, P.R.T. provided this grant on the basis that the naval base is a major tourism attraction. We felt this was within the scope of tourism promotion. Every year thousands of veterans and other interested citizens tour the Charleston Naval Base. It is one of the primary points of interest included in the popular boat tours of Charleston Harbor.

Use of State Airplane (Page 8):

Yes, P.R.T. expended these dollars to bring the Chairman of the P.R.T. Commission, who was recovering from surgery and could not sit in an automobile for an extended time, to the following major tourism-related meetings:

- ⇒ The recruitment of a major tourism development prospect at the request of the Coordinating Council for Economic Development; and
- ⇒ The final meeting of the P.R.T. Commission.

International Travel (Recommendation #1 - Page 9):

Yes, P.R.T. agrees that this area needs to be reviewed by management. The PRT policy on international travel is more "exacting" in that receipts are required for all meals, not just those exceeding the federal per diem. Yes, we do exceed federal per diem (41% of the time), and have assumed that, overall, this averages out. Our goal is to maintain an internal policy that meets the guidelines and "nets" out to be the most cost effective. To this end, we will adopt a "trial" study period to determine which is the most cost saving strategy for this agency.

Advertising Contract Billing Controls (Recommendation #2 - Page 14):

P.R.T. agrees with the need to review supporting documentation in more depth. The P.R.T. advertising manager and/or internal auditor will review all summary documentation and "test" detail documentation on a minimum of a quarterly basis. In addition to this, the internal auditor will be sent to the advertising firm annually to perform a comprehensive audit of the supporting detail.

Toll-Free Telephone Service (*Recommendation #3 - Page 15*):

The toll-free telephone service is a critical front line activity of PRT's tourism, particularly since the service deals with one of the agency's central missions which is to attract visitors and provide positive economic impact to South Carolina. This function is part of a complex range of services which includes advertising, collateral, direct marketing, and other promotional activities. In considering this aspect of the overall "package", it is important to consider cost, effectiveness and quality of the services:

- ⇒ The ad agency bids as a "wholesaler" in that they represent a number of clients and can leverage contracts more economically than PRT;
- ⇒ If handled internally, PRT would require resources to monitor on a day-to-day basis, which equates to time and money;
- ⇒ Technology and pricing change constantly. The outside flexibility to respond immediately can be extremely cost efficient for PRT. Utilizing the advertising agency (rather than the laborious state process) allows PRT to move faster and take advantages of the changing market place; and
- ⇒ Beyond these factors is the critical coordination and integration with an overall media schedule.

PRT will continue to evaluate the LAC recommendation and will base such evaluation on a three-fold criteria: cost, program effectiveness and quality of services.

Printing Contractor Invoices (*Recommendation #4 - Page 16*):

P.R.T. agrees and has implemented this recommendation. This area will be added to the scope of the internal audit function.

Internal Audit (*Recommendations #5 & #6 - Page 17*):

P.R.T. agrees with both recommendations regarding the internal audit function and has implemented the following:

- ⇒ Advertising and printing contracts have been added to the scope of the internal audit program;
- ⇒ The internal audit staff will report to the director, who will handle all performance review and personnel matters;
- ⇒ The director will form an audit committee to include the director and the controller;
- ⇒ The full audit committee will meet on a quarterly basis to review purpose, plans, findings, etc.; and
- ⇒ The controller will meet weekly with internal audit staff.

Contract for European Representation (*Recommendation #7 - Page 19*):

P.R.T. agrees with this recommendation and will specify these details as annual attachments to the five-year contract.

Contractor Reporting (*Recommendation #6 - Page 20*):

P.R.T. agrees and has implemented this recommendation.

**Canadian Promotion** (*Recommendation #9 - Page 21*):

P.R.T. agrees with this recommendation and will implement reporting mechanisms.

Tourism Funds-Sharing (*Recommendation #10 & #11- Pages 24 & 25*):

P.R.T. agrees and will implement both of these recommendations.

CHAPTER 3: Parks and Recreation Development Funds**Recordkeeping** (*Recommendation #12 - Page 31*):

P.R.T. agrees and will implement this recommendation.

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